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Missouri 'pool' businesses should save \$3 million from 3.7 percent workers comp rate cut

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Public Policies serves as a key communications link between MDI and Missouri's legislators, weekly and broadcast media, industry observers and trade associations.

**Comments or questions,
call 573-526-2946.**

The private insurer running Missouri's workers compensation "pool" for high-risk businesses has filed an average rate cut of 3.7 percent, effective for policies issued after June 30, Missouri Department of Insurance (MDI) Director Scott Lakin said.

The rate reduction should save the 7,500 Missouri businesses in the pool about \$3 million a year overall.

The pool issues workers compensation policies to employers that cannot find coverage in the regular insurance market. Some pool employers have poor safety records while others are in high-risk industries that regular commercial insurers refuse to cover.

Travelers Commercial Casualty Co., which administers the Missouri's pool under a competitively bid contract, submitted the rate request to Lakin. Although MDI must hold a public hearing on the reduction by law, Lakin is expected to approve the filing.

Declining injuries bring stability to....page 2

The rate reduction is the second consecutive such request from Travelers, which cut rates by 0.4 percent last year with Lakin's approval.

The pool contains those companies that are most likely to have workers injured on the job and file claims," Lakin said. "To have two straight years of rate reductions for these employers holds the promise for Missouri businesses overall."

After six straight years of rate cuts following price deregulation of workers compensation in Missouri, 2001 to 2003 found insurers raising rates to cover rapidly increasing medical costs.

However, on-the-job injuries fell by 18 percent, or 30,000 cases, in 2002 and 2003.

In explaining this year's rate reduction, Travelers cited a steady decline in severe injuries, particularly those that require the worker to lose time on the job and receive medical treatment. Its loss ratio – the percentage of premiums that it expects to pay out for lost wages, medical treatment and adjustment expenses – has been extremely favorable for two straight years, accounting for only two-thirds of each premium dollar.

The 3.7 percent reduction is the average for all employers, and the actual change for individual companies will vary based on their claims histories and type of business.

Travelers has proposed larger reductions for smaller carpentry operations, policemen, local truckers, roofers, home health agencies and automobile dealers.

(See workers comp, p. 2)

Workers comp

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The insurer has identified employers with charitable agency and colleges' professional workers, salespersons and messengers, large-scale carpenters and athletic teams for larger rate increases because of the claims histories for those industry categories.

Declining injuries bring stability to regular workers comp costs

*Commercial costs up 2.3 percent in 2004;
one firm accounts for half of statewide increase;
most insurers charging below 1994 levels*

Overall rates for Missouri's workers compensation market have increased 2.3 percent in 2004 after most companies have filed their rate changes, Department of Insurance Director Scott Lakin said.

Lakin said the rates have remained almost flat because of declining workplace injuries. Rates rose sharply the past two years because of rising medical costs.

Lakin said 101 companies had filed rate reductions averaging 2 percent so far this year compared to 84 that raised rates an average of 8.2 percent.

Lakin attributed half the overall 2004 market increase to a 4.8 percent rate increase by Missouri Employers Mutual Insurance Co. of Columbia, the state's largest workers compensation insurer with almost one-fourth of the entire market. MDI weights rate changes to take into account an insurer's size.

The 185 companies filing through the end of March likely represent most 2004 rate changes because only about two-thirds of the 320 licensed companies file revisions each year.

Lakin noted that "the overall 2004 rate change should provide welcome relief" to the state's business community, whose rates rose 14.7 percent in 2003, 9.2 percent in 2002 and 4.7 percent in 2001, thanks almost solely to rising medical costs for treating injured workers.

Although health care costs continue to climb more rapidly than general inflation, Lakin said an even sharper decline in the number of workplace injuries is offsetting those costs.

"The combined efforts of business owners, managers and workers in increasing safety are largely nullifying medical inflation, which has posed rate problems for several lines of insurance, ranging from HMOs to even auto coverage," Lakin said.

The past two years, Missouri employers have reported a drop of 18 percent or 30,000 in workplace injuries.

The relative price of workers compensation coverage remains considerably less than a decade ago, Lakin said. Since Jan. 1, 1994 – when Missouri deregulated workers compensation rates – pricing has increased only 3.4 percent, far lower than the general inflation rate of 24.2 percent. Of the 310 licensed Missouri carriers, 240 are charging less than they did in 1994.

With more than 100 insurers filing rate cuts, Lakin urged Missouri businesses to use the state's competitive environment to shop around for the best possible pricing as well as service. Base rates for all companies in Missouri, for each type of worker, are available on the MDI Web site at insurance.mo.gov. ❖

HMOs in Missouri surpass profit records by 78 percent in 2003 despite member drop

After posting record profits in 2002, HMOs operating in Missouri broke that mark by 78 percent last year despite substantial enrollment declines.

Department of Insurance Director Scott Lakin reported that 2003 financial reports show all 22 HMOs active in the state had after-tax profits of \$266.7 million, compared to \$149.7 million in 2002.

Excluding national HMOs like Humana that collect most of their revenues elsewhere, Missouri-based HMOs also increased their profits from the record \$123.5 million of 2002 to \$208.8 million last year, or by 69 percent.

States across the country are reporting similar results. For example, Texas HMOs posted a sharp upturn in net income but, despite the significantly larger population there, still fell short of the profits posted just by HMOs that largely operate in Missouri.

The increased profits occurred despite major reductions in membership for HMO plans. Missouri-based HMOs reported a 13.8 percent drop in enrollment overall, although exact figures on Missourians enrolled in these plans are not yet available.

The past three years of profits contrast with losses from 1996 to 2000 (see below).

"The numbers tell a story of both good and bad news for Missourians with HMO coverage," Lakin said. "Historically, when HMOs are profitable, consumers have substantially fewer complaints about claims. At the same time, however, much of the profitability reflects an average 67 percent increase in premiums from 1998 to 2002 plus more last year that has not been formally calculated."

Missouri's preliminary numbers for 2003 show consumers filed 420 complaints against HMOs, down 23.5 per-

(See *HMOs in Missouri*, p. 4)

MDI lets agents check education credits with new Internet feature

Insurance agents now can check their personal continuing education credits on the Missouri Department of Insurance Internet site.

About 50,000 Missouri-licensed agents and brokers – who all are called “producers” under a new Missouri law – now can review courses taken and hours they need for their next license renewal, just by entering their names and license numbers. Up to four years of education history is available.

“We encourage producers and companies to begin using this feature, because it is quicker and highly accurate,” said Scott Lakin, department director. “The service is more convenient for insurance professionals, who almost all should have Internet access, and it will reduce the workload for MDI staff.”

The licensing section handles more than 20,000 calls annually from insurance producers on continuing education information.

Missouri requires producers to complete up to 16 hours of continuing education over two years to qualify for license renewal. The continuing education requirement only applies to all Missouri-resident licensees, so non-residents have no continuing education records available.

The MDI website for continuing education checks is at <http://insurance.mo.gov/industry/producer>.



Doctors form 3rd malpractice insurer; St. Joseph firm 8th new entrant in year

Physicians have formed their third medical malpractice insurer under a special Missouri law that allows such firms to open without the typical capital investment.

Department of Insurance Director Scott Lakin has issued an operating license to **Missouri Doctors Mutual Insurance Co.**, a St. Joseph-based concern that includes a state House member among its organizers.

State Rep. Robert O. Schaaf, a family physician, will serve as board chairman of the new firm, which he formed with two other St. Joseph doctors, James F. Conant and Deborah Stoner (Bryan); policyholders, however, will own the company by law. Attorney Martin M. Bauman is the company's president and registered agent.

The company is the eighth new entry into Missouri's medical malpractice market in the past year, although not all those companies are actively marketing. The state experienced severe capacity problems and rising rates after several national malpractice insurers withdrew from the business or became insolvent in 2001 and 2002; insurers nationwide have been reluctant to invest capital to expand their malpractice portfolios and fill those voids.

The physician-organized firms, known as “383 companies,” take advantage of Missouri laws that allow three professionals to form mutual – or policyholder-owned – liability insurers without the minimum \$1.6 million required to license a casualty insurer that sells medical or other types of malpractice coverage.

One 383 firm – Missouri Physicians Mutual – grew into one of the largest malpractice insurers in the state since it began writing policies last March. The St. Louis-based firm sold \$18.9 million in coverage in 2003, or the fourth-largest total for physician coverage in Missouri. The third 383 company – Physicians Professional Indemnity Association, based in Poplar Bluff and Jefferson City – wrote \$938,833 in coverage in 2003, although it was active only half the year.

A fourth 383 firm – the Missouri Hospital Plan, formed by Missouri Hospital Association members – focuses on large medical facilities, but writes a few hospital-employed physicians.

“We are pleased by the resourcefulness of physicians who are working to fill the unmet demand for affordable coverage in Missouri,” Lakin said. “However, we also continue to educate physicians about the limitations on these firms compared to regular commercial carriers.”

The 383 insurers have no minimum financial requirements for two years and then have three years to meet solvency standards. If a 383 company runs a deficit or becomes insolvent, the policyholders must pay an assessment in addition to their premiums. In such cases, physicians could have responsibility for paying all or part of their own legal defense costs and any judgments.

These 383 companies are not covered by the state's guaranty association, which pays claims up to \$300,000 if a company becomes “insolvent,” or the insurance equivalent of “bankrupt” because it cannot reliably pay claims.

After 1986 difficulties in the medical malpractice market, several 383 companies began operations in Missouri. Those that survived became so successful that they evolved into commercial carriers or sold their business to regularly licensed companies. By 2002, only the Missouri Hospital Plan remained as a 383 operation.

Physicians wanting to contact Missouri Doctors Mutual can call 1-800-264-5959 or 816-901-9950.



HMOs in Missouri

(continued from page 2)

cent from the previous year and 46 percent from the peak year of 1999.

Lakin noted that commercial HMOs in Missouri – exclusive of Medicaid and Medicare business — have been losing membership for five years, falling 25 percent to fewer than 1 million. While HMOs themselves reduced members by becoming more selective about groups they insure in the late 1990s, employers also began turning elsewhere for coverage to give workers greater choice in providers and, more recently, to reduce costs.

The steep rise in premiums has rekindled interest in self-insured, traditional group insurance preferred provider organization (PPO) plans that allow employers more latitude on reducing benefits and shifting costs to workers and their families.

HMOs provide the broadest coverage in Missouri – and became the state's dominant form of health insurance in the late 1990s – with no deductibles, co-payments limited to 50 percent and no limits on "basic health services," which cover most outpatient and inpatient care except for prescription drugs, therapy and mental health treatment.

Legislation pending this year would permit Missouri HMOs to incorporate unlimited deductibles and co-payments into their plans.

Profits, Missouri-based HMOs, 1995 to 2003

Year	Profit (millions)
1995	\$19.0
1996	-\$86.6
1997	-\$94.1
1998	-\$20.9
1999	-\$10.6
2000	-\$3.2
2001	\$33.5
2002	\$123.5
2003	\$208.8

Results for individual HMOs can be found on the MDI website at insurance.mo.gov.



Personnel Changes

New Hires

Robert Reichart, product analyst I, P & C
Scott Renick, accountant I, Surplus Lines
Julie Rice, tax auditor I, Surplus Lines

Promotions

Jon Meyer, product analyst I, P & C

Transfer

Rhonda Allen, from Investigations to Financial Regulation

Resignations

Janet Duncan, Managed Care
Sandra Marriott, Licensing
Eric Martin, Legal
Preston McClain, Managed Care
James Smith, Financial Regulation



MDI Regulatory Actions

January, February & March 2004

Legal action - agents, agencies, brokers, companies

David W. Akers, Arnold, MO, revocation of license because of misappropriation of funds and failure to remit premiums to insurance company.

Michael A. Clark, Shawnee, KS, license revoked because of conviction for attempted arson.

Lindell J. Coleman, Potosi, MO, \$200 voluntary forfeiture.

Pamela L. Krause, St. Louis, MO, license revoked because of misappropriation of premiums.

Betty Muldrow and BI-State Insurance Agency, Inc., St. Louis, MO, license revoked because of misappropriation of funds.

Royetta Nichols and Nichols & Associates, Inc., Overland Park, KS, license revoked because of misappropriation of funds.

Bryan Norman, Kirksville, MO, five-year limit attained for expunging 1999 records.

Robert L. Pounds, Kansas City, MO, surrendered the property & casualty line of license; must pay \$350 fine before Aug. 1, 2004 and complete 9 hours of continuing education because of mishandled premiums.

Robert S. Reed, Springfield, MO, five-year limit attained for expunging 1999 records.

Stephen H. Romines, Mountain Grove, MO, five-year limit attained for expunging 1999 records.

Alberta M. Rogers, Mulberry, KS, five-year limit attained for expunging 1999 records.

Kirk M. Stock, Blue Springs, MO, license revoked because of other state's action.

Arthur J. Gallagher & Co., St. Louis, MO, \$50,000 fine because of unauthorized insurance business.

Chicago Title Insurance Co., Chicago, IL, \$1,000 forfeiture for failing to complete investigation within 30 days and failing to accept or deny claim within 15 working days.

Healthy Alliance Life Insurance Co., HMO Missouri, Inc. and *Healthlink HMO, Inc.*, Indianapolis, IN, were acquired by *Anthem, Inc.*

Medco Health Prescriptions Solutions, LLC, Franklin Lakes, NJ, certificate of authority suspended because of financial impairment.

National Health Insurance Co., Dallas, TX, certificate of authority suspended because of financial impairment.

Noonan and Associates, Ltd., Chicago, IL, certificate of

authority suspended because of financial impairment.

Old Republic Title Co. of Kansas City, Inc., Kansas City, MO, \$1,050 voluntary forfeiture for failing to retain evidence of determination of insurability for not less than 15 years.

The American Life Insurance Co. of New York, New York, NY, \$1000 forfeiture for filing inaccurate statistical data.

The Pyramid Life Insurance Co., Orlando, FL, \$1,000 forfeiture for inaccurate data filing.

Stewart Title Guaranty Co., Kansas City, MO, \$16,500 forfeiture for failing to use department forms.

Taney County Title & Escrow, LLC, Branson, MO, \$500 forfeiture for late or incomplete response and rate violation.

The Millers Insurance Co., Ft. Worth, TX, certificate of authority revoked because of financial impairment.

Worldwide Insurance Service, Inc., Fairfax, VA, certificate of authority suspended because of financial impairment.

Financial Exams

Land Title Insurance Co. of St. Louis, Des Peres, MO.

Lincoln County Farmers Mutual Insurance Co., Troy, MO.

Missouri Care, L.C., Columbia, MO.

Old Reliable Casualty Co., Webster Groves, MO.

Ozark National Life Insurance Co., Kansas City, MO.

Reliable Life Insurance Co., Webster Groves, MO.

SAFECO National Insurance Co., Seattle, WA.

Shelter General Insurance Co., Columbia, MO.

Shelter Life Insurance Co., Columbia, MO.

Shelter Mutual Insurance Co., Columbia, MO.

Shelter Reinsurance Co., Columbia, MO.

Company Changes

Applied Medico-Legal Solutions Risk Retention Group, Inc., Burlington, VT, registered as a risk retention group.

American General Indemnity Co., Neptune NJ, redomesticated from Nebraska to Illinois.

American Southern Home Insurance, Amiola, OH, was admitted with property, liability and miscellaneous authority.

Arch Excess & Surplus Insurance Co., Omaha, NE, was approved as a surplus lines company.

(See *Regulatory Actions*, p. 6)

Regulatory Actions

(continued from p. 5)

Arch Reinsurance Co., Morristown, NJ, was admitted with property, liability, fidelity, surety, accident, health and miscellaneous authority.

Blue Ridge Insurance Co., Sun Prairie, WI, redomesticated from Connecticut to Wisconsin.

Cannon Cochran Management Services, Inc., Danville, IL, was admitted as a TPA.

CCMSI Insurance Services, Inc., Danville, IL, withdrew as a TPA.

Century Management Co. of Oklahoma, Owings Mills, MD, withdrew as a TPA.

Circle Star Insurance Co. Risk Retention Group, Arlington, VA, registered as a risk retention group.

Crum & Forster Indemnity, Morristown, NJ, changed its name to *BNM Indemnity Co.*

Employer Plan Services, Inc., Houston, TX, was admitted as a TPA.

EMC Risk Services, Inc., Des Moines, IA, was admitted as a TPA.

ERC Life Corp., Charlotte, NC, changed its name to *Scottish Re Life Corp.*

Farmers Mutual Fire & Lightning Association of Phelps County, Billings, MO, merged into *Billings Mutual Insurance Co.*

Farmers Mutual Insurance Co. Livingston County MO, Chillicothe, MO, converted from Part I Missouri Mutual to a Part II Missouri mutual with fire and wind-storm authority.

First Guard Insurance Co., Venice, FL, was admitted with property authority.

First Variable Life Insurance Co., Birmingham, AL, merged with *Protective Life Insurance Co.*

General & Cologne Life Re of America, Stamford, CT, changed its name to *General Re Life Corp.*

General Security Indemnity Co., Stamford, CT, changed its name to *Hudson Specialty Insurance Co.*

Gerling Global Life Reinsurance Co., Toronto Ontario, Canada, changed its name to *Revios Reinsurance US Inc.*

Golden American Life Insurance Co., Minneapolis, MN, changed its name to *ING USA Annuity and Life Insurance Co. - USG Annuity & Life Co.*, *Equitable Life Insurance Co. of Iowa* and *United Life & Annuity Insurance Co.* merged with *ING USA Annuity and Life Insurance.*

GuideOne Life Insurance Co., Kansas City, MO, merged into *Kansas City Life Insurance Co.*

GuideStar Health Systems Inc., Birmingham, AL, withdrew as a TPA.

Harleysville Insurance Co., Harleysville, PA, added miscellaneous authority.

Health Care Industry Liability Reciprocal Insurance Co., RRG, Ann Arbor, MI, registered as a risk retention group.

Health Midwest Comprehensive Care, Inc., Kansas City,

MO, withdrew as a TPA.

Health Reinsurance Management Partnership, Danvers, MA, was admitted as a TPA.

Health Reinsurance Management Partnership d/b/a Health Reinsurance Management Partnership/Conversion Office, Danvers, MA, withdrew as a TPA.

HealthScope Benefits, Inc., Little Rock, AR, was admitted as a TPA.

Innovative Benefits Group, LLC, St. Louis, MO, certificate of authority as a TPA suspended.

International Business & Mercantile Reassurance Co., Chicago, IL, added accident and health insurance.

Kemper Employers Insurance Co., Seattle, WA, changed its name to *Sea Bright Insurance Co.*

Kemper Auto & Home Insurance Co., Vista, CA, changed its name to *Unitrin Direct Property & Casualty Co.*

Lexington National Insurance Co., Baltimore, MD, was admitted with fidelity and surety authority.

Life of Maryland, Inc., Owings Mills, MD, withdrew from Missouri.

Markel Service, Inc., Glen Allen, VA, withdrew as a TPA.

Medco Health Prescriptions Solutions, LLC, Franklin Lakes, NJ, certificate of authority as a TPA was suspended.

MedSolutions Inc., Franklin, TN, withdrew as a TPA.

Mendakota Insurance Co., Mendota Heights, MN, was admitted with property, liability and miscellaneous authority.

Merit Behavioral Care of CA, Inc., Columbia, Maryland, withdrew as a TPA.

MetLife Security Insurance Co. and *Security Equity Life Insurance Co.*, New York, NY, merged into *Metropolitan Life Insurance Co.*

Missouri Doctors Mutual Insurance Co., St. Joseph, MO, was admitted as a Chapter 383 medical malpractice Company.

National Farmers Union Standard Insurance Co., New York, NY, changed its name to *Quanta Indemnity Co.* and re-domesticated to Pennsylvania.

National Grange Mutual Insurance Co., Keene, NH, was admitted with property authority.

NORCAL Mutual Insurance Co., San Francisco, CA, withdrew from the State.

North Central Life Insurance Co., Houston, TX, merged into *United States Life Insurance Co. of NY.*

Odyssey Reinsurance Co., Stamford, CT, changed its name to *Clearwater Insurance Co.*

Omni Indemnity Co., Atlanta, GA, was admitted with property, liability, accident, health and miscellaneous authority.

Omni Indemnity Co., Atlanta, GA, was admitted with property, liability, accident, health and miscellaneous authority.

(See *Regulatory Actions*, p. 7)

Regulatory Actions

(continued from p. 6)

On-Line Benefits Inc. d/b/a OLB Systems, St. Charles, MO, withdrew as a TPA.

Orion Insurance Co., Charlotte, NC, merged with and into *Security Insurance Co. of Hartford*.

Peace Church Risk Retention Group, Inc., Burlington, VT, registered as a risk retention group.

Podiatry Insurance Company of AM (risk retention group), Brentwood, TN, changed its name to *Podiatry Insurance Co. of America a Mutual Company*.

Preferred Administrative Services, Inc., Kansas City, MO, changed its name to *Claimsplus, Inc.*

Premier Group Insurance Co., Murfreesboro, TN, was admitted with liability authority.

Protegrity Services, Longwood, FL, withdrew as a TPA.

Republic Mortgage Insurance Co. of North America, Winston Salem, NC, was admitted with miscellaneous authority.

Rushmore National Life Insurance Co., Rapid City, SD, merged with and into *American Memorial Life Insurance Co.*

St. Paul Reinsurance Co. Limited, New York, NY, withdrew as an eligible surplus lines company.

Security General Life Insurance Co., Del City, OK, deleted accident and health authority.

Sons of Norway, Minneapolis, MN, was admitted as a fraternal company.

St. Johns Mutual Insurance Co., Washington, MO, changed its name to *United Mutual Insurance Co.*

Sentinel Insurance Co., Ltd., Hartford, CT, added property, liability and miscellaneous authority.

Steward Risk Retention Group, Springfield, MO, registered as a risk retention group.

The Bar Plan, St. Louis, MO, changed its name to *Guarantee Title Insurance Co.*

The Millers Insurance Co., Fort Worth, TX, certificate of authority was revoked.

Tri State Insurance Co. of Minnesota, Des Moines, IA, added miscellaneous authority.

United Guaranty Commercial Insurance Co. of North Carolina, Greensboro, NC, added liability and miscellaneous authority.

United States Fire Insurance Co., Morristown, NJ, changed its name to *MJR Fire Insurance Co.* and redomesticated from New York to Delaware.

US International Reinsurance Co., New York, NY, rescinded as a qualified reinsurer.

Westfield Services, Inc., Westfield Center, OH, withdrew as a TPA.

Western Continental Insurance Co. of New York, New York, NY, changed its name to *CDC IXIS Financial Guaranty North America, Inc.* and redomesticated from Michigan to New York and also amended its certificate of authority to only have fidelity and surety authority.

Market Conduct

Lawyers Title of Richmond, Virginia, \$61,536 forfeiture.

Ohio Casualty Group, Fairfield, OH, cure order.

Unitrin Property and Casualty Insurance Group, Dallas, TX - \$13,256 forfeiture.



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